SETE

New Development Law

Proposals for the new Development Law (September 2012)

Given that almost 40% of the country's future growth will come from tourism (McKinsey estimate contained in the "Greece 10 years ahead" study) it is clear that a major part of the subsidies under the new development law must be invested exclusively in tourism. We consider it particularly important that the amount to be invested and the approval procedures be specified in advance to create a suitable investment climate. Coupled with a new investor-friendly special planning scheme for tourism that respects the environment, and a stable, attractive tax regime, this will help rapidly kick start tourism investments.

More specifically:

1. It must be possible to subsidise investments in all regions of Greece aimed at (i) improving the quality of and modernising all categories of accommodation (hotels and rented rooms) and (ii) encouraging investments in special forms of tourism, or supplementing existing facilities.

It should also include upgrades to and modernisation of all types of professional pleasure craft, tourist ports and marinas, coaches, and operational infrastructure for other tourism sectors (airlines and coastal shipping companies, ground handlers, travel agencies, car rental companies, exhibition and conference organisers, etc.). Provided that well-drafted business plans to upgrade facilities are submitted and approved, and provided that proper, well-organised checks are carried out both when applications are submitted and when proposals are being implemented, there should not be any restrictions concerning the time at which previous investments to upgrade businesses were made and the timing of new investments, especially since in the current market there is a constant need to upgrade tourism facilities.

2. Particular importance must be attached to subsidies. However one should not overlook the importance of tax breaks as well. They need to be particularly attractive for companies that are still reporting profits.

3. Evaluation committees need to be scrapped and their powers ought to be transferred to the banks which will be financing the investment, provided that they set up special tourism investment evaluation teams. It is the banks who are lending their money so they should

ΣΥΝΔΕΣΜΟΣ ΕΛΛΗΝΙΚΩΝ ΤΟΥΡΙΣΤΙΚΩΝ ΕΠΙΧΕΙΡΗΣΕΩΝ
GREEK TOURISM CONFEDERATION
Λεωφ. Αμαλίας 34, 105 58 Αθήνα | 34, Amalias Av., 105 58 Athens, Greece
T: +30 210 3217165 F: +30 210 3217177 E: info@sete.gr
www.sete.gr

assume the relevant risk. With that in mind, it's in the banks' own interests to decide based on purely meritocratic criteria.

4. The level of own financial involvement must be determined using banking criteria only. This must not be set in the development law. The new development law must only set the level of subsidies, the tax breaks and any other incentives. This will avoid fake increases and overpricing.

5. There must be a ban on new subsidised accommodation in Athens and Thessaloniki and in other over-developed tourist areas, because this will distort competition and lead to a further drop in prices and quality. In any event, all previous investment laws (apart from the last one), foresaw a joint ministerial decision being issued setting out those regions of Greece where investment law aid for setting up or extending hotels was not applicable. It should be noted that SETE considers that tourism is perhaps one of the few sectors of the Greek economy where there has been a real price correction (reduction) over the last three years (perhaps even an excessive one due to the major blackening of Greece's name abroad).

6. The key evaluation criteria must be:

- The business' capital base, experience, and successful presence in the sector.
- An increase in the number of jobs.
- A contribution to regional development.
- The size of the investment.
- Importation of some of the capital.
- Reduced energy costs and use of alternative forms of energy.
- Use of existing natural resources and/or the area's comparative advantages.

7. In reference to the level of subsidy payments, we consider that the final instalment ought to be 25% and not 50%. In other words, there should also be an interim instalment of 25% so that suppliers and contractors can be easily paid in time. Generally speaking, given the difficult times which are to come, we consider that a more favourable payment scale would make it significantly easier to attract investments.

8. Special arrangements must be made for medical tourism at hotels in line with the specifications issued by the GNTO and the Ministry of Health.

9. There should be a 2-year transitional period for extending the implementation period for tourism investments already included, but not yet completed.

Λεωφ. Αμαλίας 34, 105 58 Αθήνα | 34, Amalias Av., 105 58 Athens, Greece
T: +30 210 3217165 F: +30 210 3217177 E: info@sete.gr
www.sete.gr

10. The State needs to immediately sort out the refund of investment VAT, especially since payments from 2009 are still pending even today. If banks assume a more central role, investment VAT could be directly refunded by banks, which would then receive it from the State at a later specific date in a specific statutorily-enshrined manner.

Λεωφ. Αμαλίας 34, 105 58 Αθήνα | 34, Amalias Av., 105 58 Athens, Greece
T: +30 210 3217165 **F:** +30 210 3217177 **E:** info@sete.gr
www.sete.gr